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Crude politics: the United States, China, and the race for oil security
The World In Numbers; petroleum industry

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Ever since Lord Curzon, a member of Britain's World War I cabinet, declared that the Allies "had floated to victory on a sea of oil," major industrialized powers have sought oil security.

An imperialist surge by Japan to secure oil supplies in East Asia resulted in the fateful attack on Pearl Harbor. The desire to control Middle East oil pushed the Soviet Union into Afghanistan, and drove Saddam Hussein's invasion of Kuwait. And in his 1980 State of the Union speech President Jimmy Carter made clear America's own oil-security policy when he described what would become known as the Carter doctrine: "Any attempt by an outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America."

Today the Soviet Union is no more, and Saddam Hussein is behind bars, but the United States faces a new threat to its oil security: China, whose thirst for oil may outstrip ours as soon as 2020. In 2003 China overtook Japan as the world's second largest oil consumer; the increase in demand helped send global oil prices skyrocketing. As demand continues to rise, and as oil production threatens to peak in the coming decades, China and the United States--which together consumed 33 percent of the oil produced last year--are engaged in a contest for preferred access to remaining reserves.

The accompanying map shows the agreements and military ties that each of the major oil-producing states in the Eastern Hemisphere--the primary area of contention between the two powers-has with China and the United States. Few producers lack the attention of at least one suitor; both have promiscuously sought arrangements to ensure against disruptions in oil supply.

Although the U.S. strategy is based not on physically controlling oil fields but, rather, on maintaining a stable price for crude oil on the global market, oil-producing regions are thick with U.S. military bases--and in Nigeria, Kazakhstan, and several other countries, U.S. troops are working with local militaries to protect oil infrastructure. Military aid is also used to woo tinpot oil regimes, opening the door for U.S. companies such as

ExxonMobil and ChevronTexaco to invest in local fields.

Late to the game and largely unable to compete with the U.S. military, China has sought to meet its energy needs by making use of its newfound economic clout--most notably by buying drilling and refining rights throughout the world. Its state-owned oil companies have spent hundreds of billions of dollars on such rights, often at high premiums; since 1993 China has invested in more than fifty oil and gas projects in some thirty nations. In particular, China has focused on acquisitions and partnerships in pariah nations--Sudan, Iran--where the United States has refused to tread. In Sudan alone China has reportedly spent $ 15 billion developing oil fields.

Yet China, too, has begun to use its military to protect its investments and-indirectly-to open new oil markets. Reportedly, troops disguised as oil workers patrol Chinese oil infrastructure in Sudan. And in recent years China has consolidated its military presence in oil- and gas-rich parts of the South China Sea, sovereignty over which is disputed.

Perhaps most significant in the short term is Chinas relationship with Iran. It is a matter of simple mathematics that neither China nor the United States will be able to avoid reliance on the Middle East, where three countries--Saudi Arabia, Iraq, and Iran--sit on nearly half of the world's easily accessible oil. With Saudi Arabia and Iraq clearly within the U.S. sphere of influence, China has been steadily courting Tehran and aims to become the biggest buyer of Iranian oil. In return for oil, China has supplied weapons--most notably anti-ship missiles, which Iran has aimed at the Strait of Hormuz, the busiest oil-export route in the world--and technology and materials that can be used for the manufacture of nuclear weapons.

Will oil concerns inside or outside the Middle East lead to open conflict between the United States and China? In the short run that's unlikely; even if the United States were to invade Iran, China probably couldn't do anything about it. But given oil's historical place in military conflicts between great powers, one cannot discount the possibility that over time, as demand for oil increases and supplies of crude become harder and more expensive to tap, the two nations will come to blows. In the meantime, China will probably continue to offer succor to rogue states that America would like to see isolated. And weapons of both Chinese and U.S. origin will continue to flow into regions where oil itself has already bred government corruption, vast income inequality, and civil unrest.

THE WESTERN FRONT

China has been busy cutting deals in America's back yard. In return for cooperation on oil projects, China has lent support to Brazil's bid for a UN Security Council seat. President Hugo Chavez, of Venezuela, eager to reduce dependence on the United States, has invited Chinese oil companies to explore Venezuela's oil fields and build refineries, and has proposed new pipelines to the Pacific that would make delivery to Asia cheaper. With an eye toward the vast tar-sand reserves of Canada, which are second only to Saudi Arabia in recoverable oil but with production costs more than ten times as high, China is aggressively negotiating with Canadian oil companies.

OIL'S NEW FRONTIER

The tiny island nation of Sao Tome, off the coast of West Africa, symbolizes the importance that the United States places on the oil-rich Gulf of Guinea. As Western oil companies look to tap Sao Tome's newly discovered oil fields, the U.S. military is considering establishing a naval base on the island, from which it could patrol the strategically important waters off West Africa's major oil producers. Further to the north, U.S. companies are sprinting back to the former pariah nation of Libya. China, meanwhile, is creating new oil-import agreements with Gabon, Chad, and the Republic of the Congo.

THE RUSSIA FACTOR

The former Soviet states and much of Eastern Europe depend on Russia for oil and natural gas, and Russia appears jealous of any potential rivals. Some experts believe the Kremlin has worked to undermine the soon-to-be-completed Baku-Tbilisi-Ceyhan pipeline (which will carry oil from the Caspian Sea to the West without going through Russia) by fomenting ethnic discontent along its route in Georgia and Armenia. President Putin has renationalized Russia's largest oil and gas interest by breaking up and auctioning off the oil company Yukos.

CHINESE MUSCLE FLEXING

A dispute with Japan over ownership of natural-gas fields and potential oil reserves in the East China Sea could explain why a Chinese nuclear submarine entered Japanese waters last year. China and other countries have also erected territorial markers around the Spratly Islands, which are rumored to hold billions of barrels' worth of oil and gas. Its offshore oil claims, and its concern that a conflict over Taiwan could cost it access to the Strait of Malacca (through which 60 percent of Chinese oil imports flow), may partly explain China's recent naval expansion as well.

[ILLUSTRATIONS OMITTED]

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